

2006-2007 PERFORMANCE PLAN – SENIOR PORTFOLIO MANAGER, STRUCTURE (PHILLIPS)

Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
25%	CalPERS Internally Managed Mortgages	Net of Fees, excess return in basis points relative to: Internally Managed Mortgage Portfolio – CalPERS Custom Lehman LPF Mortgage {SJ5CA1 – CALMCLS2}	0 basis points = 0 + 40 basis points = 1.0 + 60 basis points = 1.5
20%	Other Managed Fixed Income Funds	Net of Fees, excess return in basis points relative to: <ul style="list-style-type: none"> (7%) High Quality LIBOR Fund – CalPERS BLENDED LIBOR FED FUND INDEX (DAILY) {SW3X – CPERLFFD} (7%) Short Duration Fund – CalPERS BLENDED LIBOR FED FUND INDEX (DAILY) {SW9D – CPERLFFD } (2%) Affiliate Mortgage TROR – CalPERS Custom Pooled Mortgage {SK89 – CALCPMC2} (2%) CalPERS Internally Managed Short Term – State Street STIF net of fees {SJ10 – Y8K2} (2%) Internal Governments – CALPERS Custom Government {SW1H – CALCTCI2} 	0 basis points = 0 + 5 basis points = 1.0 + 8 basis points = 1.5 0 basis points = 0 +30 basis points = 1.0 +45 basis points = 1.5 0 basis points = 0 +40 basis points = 1.0 +60 basis points = 1.5 0 basis points = 0 +10 basis points =1.0 +15 basis points =1.5 0 basis points = 0 +20 basis points = 1.0 +30 basis points = 1.5

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Quantitative Performance Measures (continued)

Weight	Factor	Performance Measure	Incentive Schedule
30%	CalPERS Domestic Fixed Income (FI), Internal	Net of Fees, excess return in basis points relative to: Domestic Fixed Income (FI), Internal – CalPERS Custom LEH LPF {SW4KA1 – CALCCLP2}	0 basis points = 0 + 40 basis points = 1.0 + 60 basis points = 1.5
10%	CalPERS Total Fund Performance	Net of Fees, excess return in basis points relative to total fund performance benchmark. Comp-PERS Total Fund All Portfolios- CalPERS Policy Index (Daily) {SJ1CA1 – CPERSTO2}	-40 basis points = 0 0 basis points = 1.0 +20 basis points = 1.5
85%	Subtotal	Quantitative Measures	

Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
15%	Leadership	Demonstrate leadership within CalPERS and in the external investment community. Dimensions include leadership: <ul style="list-style-type: none"> • Within Investment Group • Trustees • CalPERS • External Investment Community 	From Schedule
15%	Subtotal	Qualitative Measures	
100%	Total	Quantitative and Qualitative Measures	

Supervisor's Approval: Original signed by Russell Read

Date: August 1, 2006